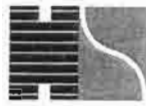


FINANCIAL REPORT
WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
June 30, 2007

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
FINANCIAL REPORT
Year-ended June 30, 2007

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Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

August 8, 2007

Independent Auditors' Report

Superintendent and Board of Education
Whitefish Township Community Schools
Paradise, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitefish Township Community Schools, as of and for the year-ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

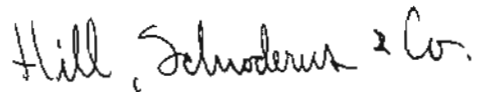
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Whitefish Township Community Schools, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2007, on our consideration of Whitefish Township Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Whitefish Township Community Schools
Paradise, Michigan

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitefish Township Community Schools' basic financial statements. The accompanying other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan



Whitefish Township Community Schools

P.O. Box 58 • 7221 N. M-123

Paradise, Michigan 49768

Phone (906) 492-3353 • Fax (906) 492-3254

Patrick Rowley, Superintendent/Principal

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Whitefish Township Community Schools' basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report information on all of the School's nonfiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the School's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the School (instruction, support services, etc.), which are supported by the School's general revenues (property taxes, unrestricted State Aid, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

The fiduciary fund is also presented, separate from the governmental funds, due to the fact that these assets do not represent assets of the School. These assets are not presented as part of the Government-wide financial statements.

Whitefish Township Community Schools maintained five individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Cafeteria Fund, which are considered major funds. Data from the other three governmental funds are combined into a single, nonmajor governmental funds column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplemental Information section of the report.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the School's net assets as of June 30, 2007:

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Statement of Net Assets
June 30, 2007

	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 325,540	\$ 344,196
Capital assets - net of accumulated depreciation	<u>180,406</u>	<u>180,708</u>
Total assets	<u>505,946</u>	<u>524,904</u>
Liabilities		
Current liabilities	<u>83,447</u>	<u>123,751</u>
Net Assets		
Investment in capital assets	180,406	180,708
Restricted	-	5,890
Unrestricted	<u>242,093</u>	<u>214,555</u>
Total net assets	<u><u>\$ 422,499</u></u>	<u><u>\$ 401,153</u></u>

At the end of the fiscal year, Whitefish Township Community Schools is able to report positive balances in all categories of net assets. Over 40% of the School's net assets is its investment in capital assets (land, construction in progress, buildings, equipment and vehicles). There is no outstanding debt related to acquiring these capital assets. The School uses these capital assets in providing educational services, consequently these assets are not available for future spending.

The second portion of net assets, restricted net assets, represents resources that are subject to external restrictions on how they may be used. This included restrictions for debt service and capital projects in 2006.

The remaining portion of net assets, unrestricted net assets, may be used at the School's discretion to meet ongoing obligations.

The results for the School as a whole are reported in the Statement of Activities, which is summarized below:

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Statement of Activities
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenue		
Program revenue:		
Charges for services	\$ 5,412	\$ 8,106
Grants and contributions	95,143	132,799
General revenue:		
Property taxes	704,239	648,696
State Aid, unrestricted	231,767	217,378
Interest and investment earnings	6,063	7,505
Other	<u>17,073</u>	<u>11,121</u>
Total revenues	<u>1,059,697</u>	<u>1,025,605</u>
Function/Program Expenses		
Instruction	534,275	531,951
Support services	395,143	399,566
Food services	67,936	64,310
Athletics	15,587	15,141
Depreciation (unallocated)	<u>25,410</u>	<u>26,003</u>
Total expenses	<u>1,038,351</u>	<u>1,036,971</u>
Change in net assets	21,346	(11,366)
Net assets - beginning of year	<u>401,153</u>	<u>412,519</u>
Net assets - end of year	<u><u>\$ 422,499</u></u>	<u><u>\$ 401,153</u></u>

As reported above, the School recorded \$1,038,351 of expenses. These expenses were funded minimally by charges for services. The majority of the School's revenues were from property taxes (66%), unrestricted state aid (22%), and grants and contributions (9%).

The School's experienced an increase in net assets this year. There were increases in both property taxes (8%) and state aid (7%), while expenses increased less than 1%.

Fund Financial Analysis

As of year end, the governmental funds reported a combined fund balance of \$242,093 which is \$21,648 higher than the beginning of the year \$220,445. The difference between the changes in net assets and fund balances for Whitefish Township Community Schools was only \$302 this year. In the current year, depreciation expense of \$25,410 in the statement of activities exceeded capital outlay expenditures of \$25,108 in the statement of revenues, expenditures and changes in fund balances.

General Fund Budgetary Highlights

Final budgeted revenues were about \$6,000 higher than the original budgeted revenues for the transfer of balances from other funds.

Final budgeted expenditures decreased about \$38,000 from the original budgeted amounts. These decreases were made among many of the expenditure accounts.

Final revenues were about \$29,000 higher than the final budget, property taxes and state aid both coming in higher.

Final expenditures were higher than final budgeted amounts by about \$21,000. This was primarily the result of a change in the accounting for accrued summer health insurance. Last year's accrual was reversed out this year and a provision for the 2007 summer accrual was not made in the final amended budget.

Capital Assets

At June 30, 2007 the School had \$180,406 (net of accumulated depreciation) invested in capital assets. The following table summarizes the capital asset activity for the year:

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Year Ended June 30, 2007

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2007</u>
Buildings and improvements	\$ 611,407	\$ 20,438	\$ -	\$ 631,845
Furniture and equipment	28,014	4,670	-	32,684
Vehicles	147,564	-	-	147,564
Total capital assets	786,985	25,108	-	812,093
Less accum depreciation	606,277	25,410	-	631,687
Net capital assets	<u>\$ 180,708</u>	<u>\$ (302)</u>	<u>\$ -</u>	<u>\$ 180,406</u>

Economic Factors

Recognition by the state legislature that all children deserve a quality, basic education and their willingness to appropriate funding to five geographically, isolated districts continues to have a huge impact on Whitefish Township Community Schools. State aid in the form of Section 22d funds allows this district to remain solvent.

For the 2003-04 school year, the district had to reduce the secondary staff from four teachers to three teachers. With the addition of the 22d funds, the district was able to hire back a social studies/history teacher beginning with the second semester of 2005-06, and continue to employ four highly qualified teachers for the 2006-07 and 2007-08 school years, securing compliance with No Child Left Behind. Prior to 22d funds, there was no place else for the district to cut without further compromising education. Kindergarten through 8th grades continues to remain in combined classrooms of three grades per classroom. We continue to work to expand curriculum offerings and proceed with ongoing curriculum alignment.

The 2006-2007 school year allowed for improvements to the building replacing exterior deteriorating OSB board with cement board around all of the windows. Plans for additional improvements to the 57-year-old building are being formulated for the summer of 2007-2008.

Health insurance and retirement continue to be two of the largest expenditures. Lowering the retirement cost for the 2007-2008 school year will be beneficial to districts.

Whitefish Township School is the hub of the community. Residents and visitors rely on the school for dissemination of information; for medical help; for activities, and local refuge in times of need. Students rely on school activities to enhance positive activities for students. We must maintain this vital component of the Paradise community.

Concerns of the district continue to include the continuation of Section 22d funds, which is vital to the district's existence, and the ability to maintain quality programs with spiraling costs.

Points of pride include small class size, highly qualified staff, interactive television and MVHS long distance learning, laptop and wireless technology including computers for each child in grades 3-12 through the FTL program. Whitefish Township Community School has experienced a revitalization of school climate, which allows for positive student achievement.

Financial Contact

The School's financial statements are designed to present users with a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Business Office, Whitefish Township Community Schools.

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Statement of Net Assets
June 30, 2007

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash	\$ 281,613
Due from other governmental units	43,617
Inventories	<u>310</u>
Total current assets	<u>325,540</u>
Noncurrent Assets	
Capital assets	812,093
Less: accumulated depreciation	<u>631,687</u>
Total noncurrent assets	<u>180,406</u>
Total assets	<u><u>\$ 505,946</u></u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Due to other governmental units	\$ 52,085
Accrued expenses	<u>31,362</u>
Total current liabilities	<u>83,447</u>
Net Assets	
Investment in capital assets, net of related debt	180,406
Unrestricted	<u>242,093</u>
Total net assets	<u>422,499</u>
Total liabilities and net assets	<u><u>\$ 505,946</u></u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 534,275	\$ -	\$ 54,281	\$ (479,994)
Support services	395,143	-	5,472	(385,001)
Food services	67,936	4,487	29,483	(33,966)
Athletics	15,587	925	1,237	(13,425)
Depreciation (unallocated)	25,410	-	-	(25,410)
Total governmental activities	\$ 1,038,351	\$ 5,412	\$ 90,473	\$ (937,796)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				704,239
State Aid, unrestricted				231,767
Interest and investment earnings				6,063
Other				17,073
Total general revenues				959,142
Change in net assets				21,346
Net assets - beginning of year				401,153
Net assets - end of year				\$ 422,499

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS

Governmental Funds

Balance Sheet

June 30, 2007

	<u>General</u>	<u>Cafeteria</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 260,091	\$ 20,263	\$ 1,259	\$ 281,613
Due from other governmental units	43,617	-	-	43,617
Inventory	<u>-</u>	<u>310</u>	<u>-</u>	<u>310</u>
Total assets	<u>\$ 303,708</u>	<u>\$ 20,573</u>	<u>\$ 1,259</u>	<u>\$ 325,540</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other governmental units	\$ 52,085	\$ -	\$ -	\$ 52,085
Accrued expenditures	<u>31,362</u>	<u>-</u>	<u>-</u>	<u>31,362</u>
Total liabilities	<u>83,447</u>	<u>-</u>	<u>-</u>	<u>83,447</u>
Fund Balances:				
Reserved for inventories	-	310	-	310
Unreserved:				
Designated for technology	12,000	-	-	12,000
Undesignated	<u>208,261</u>	<u>20,263</u>	<u>1,259</u>	<u>229,783</u>
Total fund balances	<u>220,261</u>	<u>20,573</u>	<u>1,259</u>	<u>242,093</u>
Total liabilities and fund balances	<u>\$ 303,708</u>	<u>\$ 20,573</u>	<u>\$ 1,259</u>	<u>\$ 325,540</u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds	\$ 242,093
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet	
Cost of capital assets	812,093
Accumulated depreciation	<u>(631,687)</u>
Total Net Assets - Governmental Activities	<u>\$ 422,499</u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2007

	<u>General</u>	<u>Cafeteria</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources	\$ 725,553	\$ 4,728	\$ 2,234	\$ 732,515
State sources	236,150	6,046	-	242,196
Federal sources	<u>61,548</u>	<u>23,439</u>	<u>-</u>	<u>84,987</u>
Total revenues	<u>1,023,251</u>	<u>34,213</u>	<u>2,234</u>	<u>1,059,698</u>
Expenditures:				
Current:				
Instruction	534,275	-	-	534,275
Support services	419,966	-	285	420,251
Food service	-	67,936	-	67,936
Athletics	<u>-</u>	<u>-</u>	<u>15,587</u>	<u>15,587</u>
Total expenditures	<u>954,241</u>	<u>67,936</u>	<u>15,872</u>	<u>1,038,049</u>
Excess (deficiency) of revenues over expenditures	<u>69,010</u>	<u>(33,723)</u>	<u>(13,638)</u>	<u>21,649</u>
Other financing sources (uses):				
Operating transfers in	5,620	31,185	13,640	50,445
Operating transfers out	<u>(44,826)</u>	<u>-</u>	<u>(5,620)</u>	<u>(50,446)</u>
Total other financing sources (uses)	<u>(39,206)</u>	<u>31,185</u>	<u>8,020</u>	<u>(1.00)</u>
Net change in fund balances	29,804	(2,538)	(5,618)	21,648
Fund balances - beginning of year	<u>190,457</u>	<u>23,111</u>	<u>6,877</u>	<u>220,445</u>
Fund balances - end of year	<u><u>\$ 220,261</u></u>	<u><u>\$ 20,573</u></u>	<u><u>\$ 1,259</u></u>	<u><u>\$ 242,093</u></u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 21,648
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount by which depreciation expense exceeds capital
outlay expenditures that were capitalized in the period.

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Change in Net Assets - Governmental Activities	<u>\$ 21,346</u>
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WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2007

	Student Activities Agency Fund
Assets	
Cash	\$ 48,666
Liabilities	
Due to student groups	\$ 48,666

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Whitefish Township Community Schools (the "School District") operates under a Board-Superintendent form of government and provides education services to its residents. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the School District:

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 (and amended by GASBS No. 39). GASBS 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the School District and included in the School District's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The School District has no component units.

Basic Financial Statements – Overview

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. All of the School District's activities are considered governmental activities.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. These statements are reported using the economic resources measurement focus and the full accrual basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The government-wide focus is more on operational efficiency, the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-Wide Statements - Continued

The government-wide Statement of Activities, due to the full accrual, economic resource basis, records revenue when it is earned and expenses when a liability is incurred, regardless of the timing of related cash flows. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted State Aid and other items not properly included among program revenues are reported as general revenue. Any net costs, by function, are allocated to the general revenue.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The emphasis in the fund financial statements is on the major funds in the governmental activities category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds. The School District's major funds, as described below, are the General Fund and Cafeteria Fund. Non-major funds by category are summarized into a single column.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred. The exception to this general rule is principal and interest on general obligation long-term debt, if any, is recognized when due.

The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. The General Fund is a major fund of the School District.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

Governmental Funds - Continued

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds – The School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Cafeteria and Athletics Funds. The Cafeteria Fund is a major fund of the School District.

Debt Service Funds – The Debt Retirement Funds are used to record tax and interest revenue and the payment of interest, principal and other expenditures on long-term bonded debt. The School District maintains the General Obligation Debt Service Fund.

Capital Project Funds – The Capital Project Funds are used to record property tax revenues, bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. These funds are kept open until the purpose for which they were created has been accomplished. The School District maintains a Capital Project Fund.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a trustee or agency capacity for others and therefore are not available to support School District programs. Since these funds cannot be used to address activities or obligations of the School District, these funds are not incorporated into the government-wide statements. Fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. The following agency fund is presented in the Statement of Fiduciary Net Assets:

Student Activities Agency Fund – The School District presently maintains a Student Activities Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held by the School District for the students.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other accounts that have the general characteristics of demand deposits.

Investments

Investments are stated at fair market value.

Inventories

Inventories are stated at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventory recorded in the Cafeteria Fund consists of food and paper goods. Disbursements for inventory-type items are recorded at the time of use in the Cafeteria Fund.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets, which include land, buildings, equipment and vehicles are reported in the Statement of Net Assets in the government-wide financial statements. Capital assets are defined by the School District as assets that are purchased or acquired with an original cost of \$3,000 or more and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date donated. Additions, improvements and other capital outlay that significantly extend the useful life of an asset, or increase its capacity or efficiency, are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20-50 years
Furniture and other equipment	5-15 years

Comparative Data

Comparative total data for the prior year is not included in the School District's financial statements.

NOTE 2: BUDGETING/COMPLIANCE

The School District is required under Public Act 621 to adopt a budget for the General and Special Revenue Funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for these funds. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. All annual appropriations lapse at year-end.

The presentation of budgetary information is required for the General Fund and all major Special Revenue Funds (Cafeteria Fund). In the required supplemental information section, the School District's actual and budgeted expenditures for the General Fund and Cafeteria are presented.

Excess of Expenditures Over Appropriations In Budgeted Funds

The School District is required under Public Act 621 to adopt a budget for the General and Special Revenue Funds. During the year, the School District incurred expenditures in the following fund which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Amount of Expenditures</u>	<u>Variance</u>
General	\$ 978,293	\$ 999,067	\$ 20,774

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3: CASH AND INVESTMENTS

Cash Deposits

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At year-end, the carrying amount of the School District's deposits for both governmental activities and fiduciary funds was \$330,279 and the bank balance was \$359,570. Of the bank balance, \$117,001 was covered by federal depository insurance. The remaining \$242,569 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the School District as of the preceding December 31.

Property taxes are recognized as revenue in the fiscal year they are levied. The Michigan School Accounting Manual requires property taxes receivable be written off in the current year if not received within 60 days of the end of the previous year. This applies to both the government-wide (full accrual) and the fund (modified accrual) financial statements. There is no significant departure from the full accrual basis of accounting using this method.

The 2006 State taxable valuation of non-homestead property as of April 27, 2007, for Whitefish Township Community Schools totaled \$39,130,762 on which taxes levied consisted of 18 mills for operating purposes. These amounts are recognized in the General Fund.

Classification of assessed property between homestead vs. non-homestead is subject to change. In addition, Michigan Tax Tribunal and Board of Review changes throughout the year affect the total taxable valuation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5: CAPITAL ASSETS

Capital asset activity for the School District's governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets being depreciated:				
Buildings and improvements	\$ 611,407	\$ 20,438	\$ -	\$ 631,845
Furniture and equipment	28,014	4,670	-	32,684
Vehicles	147,564	-	-	147,564
Subtotal	<u>786,985</u>	<u>25,108</u>	<u>-</u>	<u>812,093</u>
Accumulated depreciation:				
Buildings and improvements	463,358	16,974	-	480,332
Furniture and equipment	20,818	2,070	-	22,888
Vehicles	122,101	6,366	-	128,467
Subtotal	<u>606,277</u>	<u>25,410</u>	<u>-</u>	<u>631,687</u>
Net capital assets being depreciated	<u>\$ 180,708</u>	<u>\$ (302)</u>	<u>\$ -</u>	<u>\$ 180,406</u>

Governmental activities depreciation expense was charged as follows:

Unallocated	<u>\$ 25,410</u>
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NOTE 6: INTERFUND TRANSFERS

Interfund transfers consist of the following:

The General Fund made transfers in the amounts of \$31,185 to the Cafeteria Fund and \$13,640 to the Athletic Fund. The General Fund makes transfers on a yearly basis to support these Funds.

The Debt Service Fund transferred its remaining balance of \$5,620 to the General Fund due to inactivity in over two years.

NOTE 7: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

Whitefish Township Community Schools contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing, multiple employers, state wide public employee retirement plan governed by the State of Michigan and created in 1915. MPERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits to the State's public school employees. MPERS now operates under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, MI 48909-7526 or by calling (517) 322-6278.

Prior to January 1, 1990, MPERS provided a choice of two retirement plans, the Basic Plan, which required no employee contribution and the Member Investment Plan (MIP). For members hired on January 1, 1990 or after, membership in MIP is mandatory. MIP members are required to contribute 3 to 4.3 percent of their annual covered salary and Whitefish Township Community Schools is required to contribute at an actuarially determined rate.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS – CONTINUED

The current rate is 17.74% of annual covered payroll, of which approximately 6.55% is for other post employment benefits (see below). The contribution requirements of plan members and Whitefish Township Community Schools are established and may be amended by the MPSERS Board.

The School District's contribution to MPSERS for the years ending June 30, 2007, 2006 and 2005 were \$89,817, \$80,852 and \$70,364 respectively, equal to the required contributions for each year.

Other post employment benefits:

Also under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage which are funded on a cash disbursement basis. Retirees having these coverages contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for health, dental and vision coverages.

The number of plan participants and other relevant financial information consisted of the following at September 30, 2006, the date of the latest actuarial valuation.

Eligible retired participants	157,163
Participants receiving benefits:	
Health	119,462
Dental/Vision	126,828
Expenses for the year	\$694,313,906
Payroll contribution rate	6.55%

NOTE 8: RESERVES AND DESIGNATIONS OF FUND BALANCES

Major Governmental Funds

General Fund - The General Fund designated fund balance includes amounts for technology expenditures.

Cafeteria Fund – The Cafeteria Fund reserved fund balance includes amounts for inventories.

NOTE 9: RISK MANAGEMENT

The School District carries commercial insurance for risks of loss, including property and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District also belongs to the SEG Self-Insured Workers' Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the state. The School District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. Although the School District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

REQUIRED SUPPLEMENTAL INFORMATION

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues:				
Local sources	\$ 706,989	\$ 712,843	\$ 725,553	\$ 12,710
State sources	217,872	220,194	236,150	15,956
Federal sources	66,568	61,548	61,548	-
Total revenues	991,429	994,585	1,023,251	28,666
Expenditures:				
Current:				
Instruction:				
Basic programs	440,005	443,025	448,955	5,930
Added needs	83,241	80,911	85,320	4,409
Support services:				
Pupil	20,329	13,185	13,340	155
Instructional staff	5,815	5,941	5,939	(2)
General administration	187,126	166,046	171,389	5,343
School administration	13,794	13,421	13,330	(91)
Business services	4,605	9,222	9,136	(86)
Operation and maintenance	129,443	124,719	132,024	7,305
Pupil transportation services	63,924	58,632	59,322	690
Other support services	15,479	15,490	15,486	(4)
Total expenditures	963,761	930,592	954,241	23,649
Excess (deficiency) of revenues over expenditures	27,668	63,993	69,010	5,017
Other financing sources (uses):				
Operating transfers in	5,000	11,905	5,620	(6,285)
Operating transfers out	(52,668)	(47,701)	(44,826)	2,875
Total other financing sources (uses)	(47,668)	(35,796)	(39,206)	(3,410)
Net change in fund balance	(20,000)	28,197	29,804	1,607
Fund balance - beginning of year	178,347	190,457	190,457	-
Fund balance - end of year	\$ 158,347	\$ 218,654	\$ 220,261	\$ 1,607

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Required Supplementary Information
Budgetary Comparison Schedule
Cafeteria Fund
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues:				
Local sources	\$ 7,010	\$ 4,285	\$ 4,728	\$ 443
State sources	3,500	3,500	6,046	2,546
Federal sources	22,000	24,500	23,439	(1,061)
Total revenues	32,510	32,285	34,213	1,928
Expenditures:				
Current:				
Food service	71,566	68,432	67,936	(496)
Excess (deficiency) of revenues over expenditures	(39,056)	(36,147)	(33,723)	2,424
Other financing sources (uses):				
Operating transfers in	39,056	34,060	31,185	(2,875)
Net change in fund balance	-	(2,087)	(2,538)	(451)
Fund balance - beginning of year	21,051	23,111	23,111	-
Fund balance - end of year	<u>\$ 21,051</u>	<u>\$ 21,024</u>	<u>\$ 20,573</u>	<u>\$ (451)</u>

OTHER SUPPLEMENTAL INFORMATION

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Fund	Capital Project Fund	Debt Service Fund	
	Athletics	Sinking	General Obligation	Total
<u>Assets</u>				
Cash	\$ 1,259	\$ -	\$ -	\$ 1,259
<u>Fund Balances</u>				
Unreserved:				
Undesignated	\$ 1,259	\$ -	\$ -	\$ 1,259

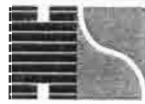
WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	Special Revenue Fund	Capital Project Fund	Debt Service Fund	
	Athletics	Sinking	General Obligation	Total
Revenues:				
Local sources	\$ 2,219	\$ 5	\$ 10	\$ 2,234
Expenditures:				
Current:				
Support services	-	285	-	285
Athletics	15,587	-	-	15,587
Total expenditures	15,587	285	-	15,872
Excess (deficiency) of revenues over expenditures	(13,368)	(280)	10	(13,638)
Other financing sources (uses):				
Operating transfers in	13,640	-	-	13,640
Operating transfers out	-	-	(5,620)	(5,620)
Total other financing sources (uses)	13,640	-	(5,620)	8,020
Net change in fund balances	272	(280)	(5,610)	(5,618)
Fund balances - beginning of year	987	280	5,610	6,877
Fund balances - end of year	\$ 1,259	\$ -	\$ -	\$ 1,259

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Other Supplemental Information
Statement of Receipts and Disbursements
Fiduciary Fund
Year Ended June 30, 2007

	Balance July 1, 2006	2006-2007		Balance June 30, 2007
		Receipts	Disbursements	
Class of 2005	\$ 18	\$ -	\$ 18	\$ -
Class of 2006	10	46	56	-
Class of 2007	(21)	14,965	14,944	-
Class of 2008	203	8,647	6,591	2,259
Copy machine	4	-	4	-
Special projects	7,065	-	-	7,065
Kitchen	502	-	-	502
Youth booster club	12,762	502	-	13,264
Student council	293	475	481	287
Interest	13,742	1,095	2,604	12,233
Yearbook	-	1,357	1,357	-
Miscellaneous	5	323	231	97
Playground	767	-	273	494
Target	28	92	120	-
Veterans' Day fund	166	-	-	166
Sherrie used computers	29	-	22	7
Box tops	321	243	504	60
Library-Sherrie Britton	74	-	74	-
Rachel Mills fund	2,459	528	300	2,687
Professional development	17	-	12	5
Mr. Earles	517	-	307	210
Green slips	8	-	8	-
Ski trip grant	481	1,030	1,410	101
Middle School	689	1,215	1,128	776
Theater	67	-	67	-
Athletic boosters	5,657	4,906	3,137	7,426
21st Century grant	880	-	-	880
Music card	209	-	209	-
Wellness challenge	43	-	-	43
Fran Bitnar Memorial	1,115	-	1,115	-
Science	104	-	-	104
Total	\$ 48,214	\$ 35,424	\$ 34,972	\$ 48,666

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



August 8, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Superintendent and Board of Education
Whitefish Township Community Schools
Paradise, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Whitefish Township Community Schools (the "School District") as of and for the year-ended June 30, 2007, which collectively comprise Whitefish Township Community Schools' basic financial statements and have issued our report thereon dated August 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitefish Township Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion of the Whitefish Township Community School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whitefish Township Community School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The School District does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to newly issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note the School District's management does possess the skill necessary to prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes and State of Michigan FID reporting is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

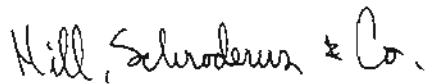
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitefish Township Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also noted other matters for your consideration:

Commercial Forest Tax Receipts: The School District continues to recognize a liability for Commercial Forest tax receipts received from Whitefish Township. As your past efforts to resolve this matter with various government officials has been unsuccessful, we suggest you now consult your legal counsel to resolve this issue.

This report is intended solely for the information and use of management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

NO MANAGEMENT LETTER WAS ISSUED TO THE WHITEFISH TOWNSHIP
COMMUNITY SCHOOLS FOR THE YEAR ENDED JUNE 30, 2007.

NO DATA COLLECTION FORM IS REQUIRED TO BE ISSUED TO THE WHITEFISH
TOWNSHIP COMMUNITY SCHOOLS FOR THE YEAR ENDED JUNE 30, 2007.